

Behind the scenes of Shopee's demise: The globalization mess of a Southeast Asian giant that most resembles a Chinese powerhouse

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What happens when a Southeast Asian Internet company that looks like a Chinese Internet powerhouse?

For Shopee, the star company of Singapore's Internet conglomerate SEA, this meant wild growth at first.

SEA, founded in 2015 by Chinese entrepreneur Li Xiaodong, has followed the path of Chinese Internet companies from its founder's background to its business model to its financing history, and was once called "Singapore's small Tencent" because of Tencent's stake in it. Its star e-commerce company Shopee, but also in Southeast Asia to kill, in a number of markets to suppress Ali's Lazada, when the competition between the two also because of the presence of the Chinese giant behind, and was closely followed by the domestic Internet circle. So much so that, in the wave of Chinese Internet talent flocking to Singapore in the last two years, Shopee has become their most popular destination.

The SEA Group was once the third largest Internet company in Asia, and its founder, Li Xiaodong, was once among the richest people in Singapore. However, just as it was further transforming itself into "the most Chinese Internet mega-company in Southeast Asia", problems arose.

From the external point of view, the past nearly a year, SEA Group shares plummeted more than 81%, the majority shareholder Tencent reduce their holdings of SEA, the Indian market for data security reasons to block Shopee and SEA's game products Free Fire, and in the past few months, Shopee has closed a number of overseas sites.

And the bigger turmoil comes from within.

According to a number of people close to Shopee's core decision makers, the company is going through an organizational crisis, a management battle and an insurmountable growth dilemma - it is "rolling" itself into a series of problems.

In fact, Shopee has been regarded as a benchmark by many Chinese companies with global ambitions, and has been called the proud son of "born to be global". The model it represents - headquartered in Singapore, with talent in China and global operations - is a state of affairs increasingly sought after by a new generation of Chinese entrepreneurs, a structure that can be seen in star Chinese companies with global ambitions such as ByteJump, Shein and MihaYu.

The original story of this Singaporean star company's "inward roll" may give these Chinese global companies something new to think about.

Culture Clash

Singapore employees frown as Chinese executives parachute in.

In March 2021, Shopee held a seemingly ordinary internal Town Hall meeting, which later turned out to be a turning point for the global company.

In this Town Hall Meeting, Shopee routinely attends the executive level in addition to CEO Chris Feng and CPO David Chen, there is a newly appointed Shenzhen CTO Huang Yicheng. According to public information, Huang Yicheng studied at Fudan University as an undergraduate, and later obtained a doctorate at the National University of Singapore, joined Garena, a game company of SEA Group (Winter Ocean Group), in 2017, and then transferred to the e-commerce platform Shopee.

Several Shopee employees described the Chinese CTO as having a strong sense of style and control, and although his educational and professional background is more international, he believes in Confucianism, Buddhism and Taoism, and often does not shy away from expressing sharp opinions.

An example that most Shopee employees remember is that at the Town Hall Meeting, where Huang Yicheng first attended as CTO, some technical staff told him that the group worked too much overtime, often until 9:30 p.m. or even midnight, which is not in line with the work life balance culture advocated by global companies. However, the new executive did not ask the employee about the details of his group, but instead said in public.

"Is it late to leave work at 9:30".

"I don't understand why work that can be done at 7:00 has to be delayed until the end of the day so late, is there really that much to do?" A Shopee employee told Pin Play that Huang Yicheng's remarks have caused strong discontent among overseas employees.

The backlash from Singapore employees did not prevent such a culture clash from continuing. Even more, this conflict extends to the corporate system level.

"The first big thing Huang Yicheng did after he took office was to introduce Byte Jump's OKR system. At that time, he pulled all our middle leaders to a meeting and took out OKR on the spot, saying we now have to learn from Byte." A former Shopee employee said.

According to the understanding of Pin Play, Shopee's OKR and performance appraisal binding relationship is very frequent and close to the quarterly OKR development, each quarter will be a performance appraisal, plus the total appraisal at the end of the year, a total of five times a year.

A Singaporean technology executive who left during the adjustment process said that Shopee domestic team led the implementation of the OKR system, the technical team to spend nearly a month each quarter, repeatedly with the Chinese executives to confirm the alignment OKR, but just built up the Chinese team to OKR goals and the lack of consistency in the development and implementation, often set down the direction of the last quarter, the next quarter will be and The direction set in one quarter was often reversed in the next.

In addition to the OKR system, Shopee Singapore management was also required to report their thoughts to the China management team every two weeks in the form of written reports, with some people's bi-weekly reports running up to 10,000 words.

Roll it up.

The first to express their opposition was also the grassroots employees at the Singapore headquarters. They said that they were confused by the fact that this OKR system, which fell from the sky, was only notified in the form of a few forms for implementation, and no corresponding measurement criteria were introduced.

"I can understand the need for a unified performance appraisal system as the company becomes larger, which is also a way to motivate employees, but Shopee's OKR measurement standards are entirely subjective by management, which becomes a means of controlling people", said Shopee Singapore's front-line technical staff.

In fact, Shopee is a company that is no stranger to, and even has a unique tradition of, borrowing from the Chinese Internet experience.

According to public information, the founder of SEA, Xiaodong Li, was born in Tianjin, China, graduated from Shanghai Jiaotong University, and worked for Motorola and Corning before starting his own business. Li Xiaodong is known to be an introvert and rarely appears in front of the public even after he became famous.

He is one of the first entrepreneurs who have successfully localized the Chinese Internet experience in overseas markets. Whether it is "Southeast Asia's small Tencent Garena" or "Southeast Asia's Ali Shopee" that he has created, there are distinctive Chinese Internet characteristics behind them.

In the early days of the business, Li Xiaodong used the ground-push model, once highly respected by the Chinese Internet, to build a strong army of business ground-pushers and form a network of over 70,000 nodes in Southeast Asia.

But more importantly, Li Xiaodong combined these experiences with localization. Several Shopee employees said that Li Xiaodong attaches great importance to localization, which forms the globalization gene of SEA and also allows Shopee to expand overseas markets with a natural localization operation mindset. For example, it is flexible in each market according to the different local conditions to launch the App in line with its characteristics, and used this to beat Lazada in the share of several Southeast Asian markets at one time.

Such a background determined that the Chinese-born founder would naturally choose to look to Chinese Internet companies for answers when the company encountered bottlenecks in growth. But this time, Shopee began to encounter reverse localization problems, cultural differences and management model caused by the turmoil, began to impact on the corporate atmosphere and business development of this global company.

OKR is an example of this. In the eyes of Singaporean employees, this system is starting to become more of a tool for personnel struggle.

In Shopee's OKR evaluation system, which is divided into three levels of ABC, employees who have been hit with a C face restrictions on transfer, pay cuts,

and even dismissal, and the aforementioned former Singaporean technology executive also chose to leave because he was hit with a C.

The new system came online quickly, and according to people close to the top, Huang Yicheng also formed a technical committee after taking office, with one of its responsibilities being to handle promotion applications from Singaporean and Chinese technicians, but eight of the 10-member technical committee are parachuted in Chinese management, most of whom have been on board for no more than two months.

"There were senior technical staff who went to the promotion defense, and the first question asked was actually - what do you do with this project".

"The past year in Singapore team turnover rate is very high, I led the team turnover rate of more than 30%, the middle level left to transfer more, the management basically changed the blood once again", on Shopee core business team transfer in personnel turmoil, a number of employees said that although they can understand "A son of God a minister", but the whole process to do "very undignified", "completely have a more reasonable way to solve".

A specific example of this "indignity" was when Huang Yicheng wanted to replace another Singaporean technology executive, the Chinese executive had no qualms about saying "your time is over" to his face, and when the technology executive asked him back the reason for his dismissal, the response was.

There's no one left on your team anyway.

Power transfer

Once there is a "you and me" division, the culture clash is not just a culture clash, the different forces of the company start to fight their own battles, and the Chinese team and the Singaporean team are increasingly divided.

In the Town Hall Meeting held during this period, more than one Singaporean employee asked more than once "where is the future of the Singapore team".

In the midst of the frequent parachuting of Chinese management and the shrinking of the Singapore team, CEO Feng Zhi Min and CPO Chen Jing Ye could only say vaguely that "Singapore is still hiring".

"The truth is that we see very few new colleagues, and the pace of recruitment has slowed down a lot." Not only research and development,

leaving the transfer of product managers are also not a few, "I just came more than a year, the product has changed I do not know how many sets of people." In the same period, Shopee's continued expansion of its global business has placed higher demands on the platform's own product technology.

This shift in discourse has been obvious: a number of Shopee employees said that following the Singapore team completed the construction of Shopee from 0 to 1, the Chinese team was expected to Shopee from 1 to 10, and this burden is clearly to be picked up by the new Shenzhen executive Huang Yicheng. Faced with the quarrel between Singaporean and Chinese employees, Shopee in fact chose to shift the center of power and the core business team began a major shift from its headquarters in Singapore to China.

A number of Singapore Shopee employees confirmed to Pin Play, since March 2021, Shopee Singapore team as a whole to the Chinese team to hand over power, the focus of technical projects moved to Shenzhen in large numbers, the main body of the management structure is also almost taken over by Chinese executives, Singapore team of many management and business backbone or transfer or leave.

A Shopee Singapore grassroots technical staff description of the transfer is: the beginning of some confusion, see after understanding that the core team is a big transfer. According to the employee, his R & D group was the first to be "opened", perhaps because Shopee executives did not want to cause too much impact in the early stages of the transfer, so ostensibly to the internal horse race mechanism commonly used by Chinese companies, recruited a team with the employee group business positioning and work content nearly the same.

"Later found that it is not an internal horse race, the newly established R & D group MANAGER began to grab people either explicitly or implicitly, the more senior technical backbone of our group was basically chatted all over, slowly the original MANAGER of our group chose to transfer, after which the two groups were logically merged."

According to sources familiar with the matter, over the past year or so, most of the business lines that were formerly dominated by the Singapore team have been converted to report directly to Huang Yicheng. At the same time, Huang Yicheng also began to recruit in the country, many middle

managers with a background in China's Internet majors parachuted into the Shopee Shenzhen team, and each continued to expand in the country.

2021 Shopee hiring boom in China is the Internet circle for all to see, the major domestic job search platforms are flooded with the recruitment information of this small Southeast Asian giant, and the discussion on Shopee interview, Offer comparison, as well as the reverie and longing for a global company, also spread in the domestic Internet forums.

Informed sources revealed that, in addition to school recruiting and ordinary social recruiting needs of the executive layer of talent, Shopee to the senior R & D of China's Internet majors is a lot of money to dig the wall, Ali P7 level of technical talent in the country's normal annual salary fluctuations is between 600,000 to 1.5 million, but in Shopee can get an annual salary of 2.2 million Offer.

A number of Shopee employees said that after this large-scale transfer of the core business team, Shopee in Shenzhen, the volume of staff of about 4,000 people, the volume of staff in Singapore about 1,000 people, and the ratio of employees on both sides of the team before March 2021 is basically equal, and early employees said Shopee was founded in the initial years of the Shenzhen R & D center people less pathetic. Platform from 0 to 1 of the technical underpinnings of the construction, iteration, maintenance, are done by the main Singapore team.

"The size of the Chinese team continues to expand, on the basis of 4:1 staff in Shenzhen and Singapore, the decision makers also hope to establish another home base of Shopee in Beijing, which is expected to be as large as Shopee Shenzhen." A source close to Shopee's decision-making level told Pinoy. This is an interesting phenomenon - while many Chinese companies are shifting their global operations to Singapore and preferring foreign executives to run these operations, this "Singapore company", which seems to have an inherent advantage to many Chinese companies, is becoming increasingly Chinese from organization to culture. The "Singapore company", which seems to have an inherent advantage to many Chinese companies, is becoming more and more Chinese from its organization to its culture.

Whether Singapore itself is suitable for the birth of a global enterprise or not has become a new reflection for many people.

"It's really very difficult to recruit people on this side of Singapore, and the company is growing very fast, both in terms of the cost and efficiency of recruiting people, the country is much better than Singapore." An early employee of Shopee described to Pin Play that when he joined the company in 2018, SEA Group was barely on par with domestic second-tier Internet companies even though it had been among the small giants of Southeast Asian technology, but only from the technical level.

In fact, many of the so-called Singaporean companies that have succeeded in Southeast Asia did not start out in Singapore. For example, Grab, an online car and takeaway platform, moved its entire headquarters to Singapore in 2020 but was actually founded in Malaysia, while Tokopedia and Gojek were born in Indonesia, Southeast Asia's largest market, and merged to become GoTo in 2021, making it Grab's strongest competitor. And Li Xiaodong's Chinese background, so Shopee choose the path of Chinese Internet big factory. But the challenges of "internationalization" seem to be much more than the other routes.

"I actually have a vague feeling that the core business team of Shopee may shift to China in the future, I just didn't expect it to be so soon." In the employee's view, the e-commerce windfall brought about by the global outbreak has allowed Shopee to grow far beyond expectations and has invariably been the catalyst for the core business team to move to China. The financial data shows that Shopee's total GMV reached \$35.4 billion in 2020, up 101.1% year-over-year; total orders reached 2.8 billion, up 132.8% year-over-year. And in the first quarter of 2021, Shopee continued its strong growth momentum, with GMV reaching \$12.6 billion, up 103.2% year-over-year; and total orders reaching 1.1 billion, up 153% year-over-year.

In such a change, Shopee became a de facto Chinese company in the eyes of many employees.

The Dashed Dream of Globalization

But it didn't last long, and the GMV growth at the beginning of this epidemic ended quickly while Shopee was already caught up in internal personnel struggles and business issues pulling at it, further leaving it too late to adjust.

2021 is the year of Shopee's global market expansion, in the original Southeast Asia and Brazil and other advantages of the business based on the

development of Mexico, Argentina, Colombia, Chile, France, Spain, India and many other new sites. But the short-term simultaneous entry into a number of overseas markets, but Shopee brought enormous financial pressure, its parent company SEA Group also repeatedly mentioned in the earnings call "will focus more on profitability".

SEA Group's revenue composition, its three main businesses are games, e-commerce, and digital finance, where the game (Garena) is the main cash cow for e-commerce (Shopee) since its inception, providing strong financial security for its global expansion. SEA Group's total corporate market value in 2021 was approaching \$200 billion.

However, in the third quarter of 2021, such a "complementary" model began to go wrong: the cash flow generation through the game business to supply the e-commerce business with large subsidies and cost-effective strategy model in the world became no longer valid under the latter's severe losses. The thin and aging product line of its game business, the slow progress of its self-developed game business, and the growth rate of water flow has dropped from 65% to 29%, which is not enough to support the Shopee e-commerce business with serious losses.

SEA's share price has fallen from a high of \$372 to \$80, nearly 80%, since the third quarter of 2021, when Shopee first announced its entry into the European market.

"The general external environment is bad is the premise, but the blind confidence and uncontrolled expansion of the company when it stood at a high point is also the main reason why it started to go downhill", several Shopee employees said when talking about the development of the company in the past year or so, said that the expansion in 2021 took too big a step, and even internal employees could feel the strategy of aggressiveness and lack of big-picture perspective.

A former core technical member who was responsible for the Shopee data center revealed that Shopee growth slowdown internal see early signs of expansion of a new market before 2021 can make the large traffic directly doubled, and then although the expansion of the number of markets became more, but the traffic growth of even 50%, "vaguely a feeling of growth to the top".

With such challenges, many Shopee Singapore employees again attributed the problem to the increased Chinese element.

"Now Shopee can no longer see what the shadow of internationalization. After the core business team shifted, some people even suggested that 'we don't need to speak English', and meetings with overseas teams were basically in Chinese, which many Southeast Asian colleagues could not understand, and the solution was to translate the notes into English after the meeting." A Singaporean Shopee veteran told Pin Play that the company paid a lot of attention to internal diversity in the early years of the culture and atmosphere, which also made overseas employees feel very comfortable and a strong sense of integration, "now Diversity has been killed."

In addition, a number of Singaporean employees allege that such a change has also undermined the once flat communication mechanism.

According to a number of insiders, Shopee's internal organizational structure is no longer as flat as it was in the early days, in the past, front-line technical staff straight reporting relationship two layers to reach the CTO, but now it has become cumbersome and strict hierarchy, the bottom staff can not even see the complete reporting relationship of the business line. Some employees have pointed this out, and the company has therefore set up a bottom-up feedback mechanism (Feedback Cultrue), with QR codes for the feedback system posted all over the Singapore office to encourage employees to fill in suggestions and ideas.

"It's more of a formality, I've given feedback a few times without getting a solution, and over time there's not much enthusiasm." A Singaporean employee said that when the bottom-up feedback mechanism is virtual, "our sense of identity and belonging to the company is not that strong."

Over time, the front-line employees have a feeling of living in a "vacuum layer", and the distance between the company's decision-making level and them is getting farther and farther, although Town Hall Meeting is still held normally, but less "to find problems, raise issues, solve problems Although Town Hall meetings were still held normally, the communication atmosphere of "identifying problems, asking questions and solving problems" was missing. "What I can intuitively feel is that in earlier years we had few people and small scale, indeed there have always been online technical problems, but

after the restructuring introduced so many talents, the scale has also expanded, technical problems have not been reduced at all." A Shopee Singapore employee told Pin Play, the company's technical staff are able to see the entire product through a system of online accidents every day, on his recent observations, the company almost every day there are P0/P1 level accident outbreaks, "this big accident a day, sometimes two a day, but the bosses do not seem to care, it really is a chicken feather."

Some Shopee employees have made even more serious allegations.

A person familiar with the technical situation said that after his group was taken over by the Chinese team to manage, the new technical leader not only brought a group of his own subordinates in the former company, but also moved the former company's technical code in large numbers to use, "these codes were also thrown to our old staff to modify the rules and comments in which there is a lot of information about the original company, which seems to us to be a very serious Copy code incident".

The former Singapore head of another of Shopee's technology lines had similar accusations.

"At that time there was a distributed storage related project, the Chinese team over there said from Tencent tapped a bully, within a year to do this out. We in this business knew it was impossible as soon as we heard it, unless you just took people's code and ran it directly over here". He expressed doubt.

A number of Shopee employees said that the lack of understanding of Shopee products, coupled with the direct reuse of other companies technology caused by online bugs, so that the already less stable platform system problems, often perform but a quarter, it becomes unresolved.

"Maybe the management is busy through the power struggle to sit firmly in their positions, first to do with the company deeply bound, business problems can be slowly resolved." Some employees speculated so.

For Shopee and SEA Group, the ability to rediscover the balance between its Chinese and global genes will be a decisive factor in the next phase of its development. More specifically, Shopee's immediate concern should be to define what the Singapore team means to the business and the company's growth.

According to a Singaporean employee of Shopee, the Singapore team started to implement the Hot Desk system this year, all local employees no longer have a fixed workstation, they need to make a workstation reservation through the system before going to work. Although the workstation reservation system in the global company has a precedent, but Shopee's system is not implemented in the Chinese team, the company's explanation to the Singaporean employees is that "there are not enough workstations".

"I don't understand why this system was implemented. Originally, each group would sit together and discuss projects and work very easily, and after it was implemented, everyone sat scattered." A Singaporean employee said the intuitive feeling brought by this system is that the company has no money, think more extreme is a disguised contraction of the size of the team outside China.

All these incomprehensions are a reminder to Chinese entrepreneurs who are attracted to Singapore: how can a Singapore-born Internet company handle the balance with the increased Chinese element, and how can the "foreign" Chinese companies cope with this problem?

Recently, Shopee has been sending bad news to the outside world one after another.

First, at the beginning of the year, Tencent announced that it had reduced its shareholding in its parent company SEA Group, and the share price of SEA Group fell by over 11% on that day; on February 14, India blocked Shopee and SEA Group's popular local game Free Fire on the grounds of data security, and SEA Group saw its share price plunge by over 20% immediately after the announcement of the blocking ban; since March, Shopee has closed its In March, Shopee closed its India, France, Spain and other countries stations.

And in the past not long in June, Shopee internal layoff plans broke out again, optimizing the team involved in Shopee Mexico, Argentina, Chile, including a number of teams. shopee's internal layoffs have also recently spread to the Chinese team, Internet forums are increasingly frequent to see the Shenzhen R & D team employees sent relevant information, although not clear layoffs involved in the specific lines, but the text repeatedly The whole group was disbanded, and the business as a whole was abolished.

"We are predicting another wave of old employees leaving at the end of this year and early next year, as many of those who joined in 2018/2019 are

choosing to stay put because their stocks have not expired." A Singaporean employee said.

"With Shopee the way it is now it simply can't keep people."